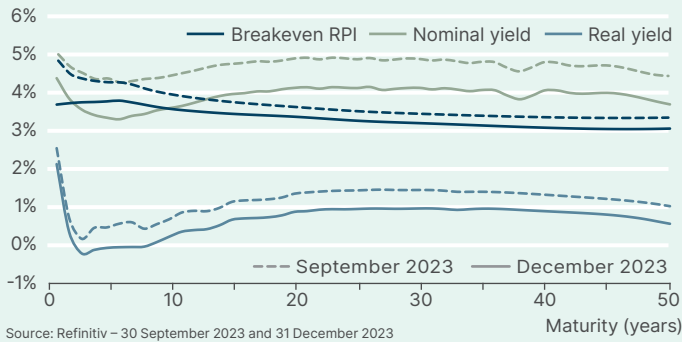


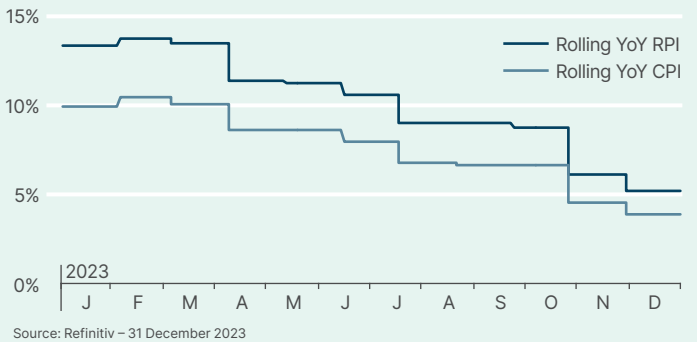
Market Monitor Q4 2023

Rates, inflation and credit spreads

Gilt yield curves



12 month rolling inflation



- Both Real and Nominal gilt yields decreased across all tenors. The nominal curve has fallen by almost 100bps (1%). The real curve has fallen by c.50bps. Commensurate with this, inflation expectations fell across the curve by c.50bps.
- The Bank of England did not change the base rate over the quarter. This was in line with market expectations.
- Inflation has fallen sharply over the quarter; 12 month RPI and CPI were 5.2% and 4.2% respectively in December. Although this is still above the Bank's 2% target, the market expects inflation to continue to fall and the Bank to commence rate cuts by the second half of 2024 if not earlier.
- Credit spreads on non-financial corporates peaked during October, and have fallen since.

Credit spreads



Secure income market update

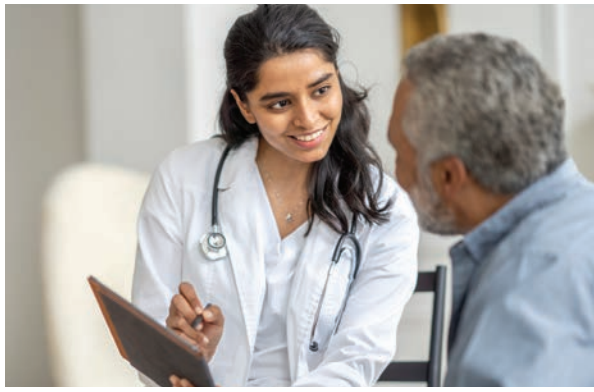


Spreads remain compelling for secured long income assets

- Spreads over risk-free yields for Commercial Ground Rents remain unchanged. Income Strip spreads remain unchanged in line with valuers' latest views.
- Spreads for Renewables over the equivalent duration gilt increased marginally to a range of 2.5% to 3.5%.
- The bottom end of Social Infrastructure increased to 330bps, and the top end remained the same. Valuations have mainly remained constant, although some stock have seen yields compress slightly over the last 12 months
- No change in the margins above SONIA for Real Estate Debt.

Asset class definitions

- Real Estate Debt:** 5-year interest and fees cashflow from senior investment term-loan secured against core real estate where interest is comprised of a margin over either SONIA or BoE base rate.
- Renewables Infrastructure:** 15+ year inflation-linked cashflows from unlevered wind and solar infrastructure assets subject to Feed-in Tariff (FIT) or Renewable Obligation Certificate (ROC) regimes.
- Long Leases:** 15+ year inflation-linked leases on commercial real estate. Traditional sale & leasebacks fall within this market.
- Social Infrastructure:** 15-20+ year inflation-linked leases on operational real estate across the housing, healthcare and education sectors.
- Income Strips:** 30+ year inflation-linked leases on commercial real estate where the lessee has an option to purchase the real estate back at the end of the lease for a nominal amount (e.g. £1).
- Commercial Ground Rents:** 100+ year inflation-linked leases on commercial real estate, with a higher degree of rental and value cover than a traditional sale & leaseback.



Real assets. Real security.

AlphaReal is a specialist secure income investment manager. We originate, structure, and manage real assets for pension schemes and insurers, operating across the UK and Europe. Our trusted investment solutions deliver predictable, inflation-linked cashflows.

We specialise in Commercial Ground Rents – where we are the market leader in the UK – Social Infrastructure, Renewable Infrastructure and Alternative Credit.

<p>PENSIONS AGE AWARDS</p> <p>Property Manager of the Year 2022, 2023 & 2024</p>	<p>LAPF INVESTMENTS AWARDS</p> <p>Impact Manager of the Year 2022 & 2023</p>	<p>PROFESSIONAL PENSIONS UK PENSIONS AWARDS</p> <p>Impact Manager of the Year 2023</p>
<p>FUNDS EUROPE AWARDS</p> <p>European ESG Fund Manager of the Year 2023</p>	<p>PENSIONS FOR PURPOSE AWARDS</p> <p>Best Place-Based Impact Thought Leadership 2023</p>	<p>PENSIONS FOR PURPOSE AWARDS</p> <p>Best Social Impact Thought Leadership 2022</p>



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